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OPEC

In response to a Kuwaiti request, OPEC oil ministers will discuss the dollar's recent decline in relation to most other major currencies at their meeting in Vienna next Wednesday. Despite their warnings that a continuation of the dollar's downward trend might force OPEC to raise oil prices or peg the price of oil to a basket of other currencies, most OPEC members apparently continue to support their decision in December to hold the line on prices, at least through September.

Most oil contracts are denominated in either dollars or sterling. The recent declines of both currencies have reduced somewhat the value of OPEC revenues and foreign reserve accumulations relative to the cost of imports from countries whose currencies have appreciated relative to the dollar. Less than 20 percent of OPEC's imports are from the US.

One immediate consequence of the dollar's decline was yesterday's decision by Iran to sever its currency's relationship to the dollar and to peg it instead to the International Monetary Fund's Special Drawing Right (SDR). The value of the SDR is based on a weighted average of the value of 16 major currencies. Tehran expects the move to decrease somewhat the domestic cost of Iran's imports and relieve inflationary pressures slightly.

Other oil producers with currencies pegged to the dollar may be inclined to follow Tehran's example. This includes the majority of OPEC members. A number have complained in recent weeks about the gyrations of the dollar and about the rising cost of foreign imports.

There is no indication, however, that Iran will also tie oil prices to SDRs as a hedge against a further downward movement of the dollar. Despite their concerns over the dollar's decline, it is unlikely that OPEC members will decide to change their oil-pricing practices soon. Some OPEC members, such as Saudi Arabia, view the dollar as only temporarily depreciated and, hence, do not feel compelled to protect the value of their receipts by changing pricing practices.

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Venezuela, which trades heavily with the US and is accordingly less affected by the dollar's decline than the Middle East producers, has indicated that there is a strong determination among most OPEC members to hold the line on prices until September. The Nigerians have voiced similar views. Nevertheless, a further substantial decline of the dollar could ultimately lead to an adjustment of oil-pricing practices that would raise the price of oil in terms of dollars.

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LIBYA

In an effort to boost production, Tripoli reportedly has reduced prices for most of its crude oil--for the second time this year. Average costs to the companies will be lowered between 8 and 14 cents a barrel.

These price cuts follow recent price shaving by the Libyan National Oil Company on oil from fields wholly owned by the Libyan government. During the fourth quarter last year, the Libyan company made direct sales at 50 cents a barrel below the price charged producing companies who marketed its share in their joint output. There is evidence that the Libyan National Oil Company continued this practice even after reducing the prices charged to the producing companies on January 1.

Tripoli's desire to boost foreign exchange receipts is probably the main reason for pricing policy changes. Libyan oil output declined from about 2 million barrels a day in January 1974 to 900,000 barrels a day by the end of the year because of noncompetitive prices. As a result, foreign exchange earnings fell below the level of foreign exchange expenditures late in the year. Price shaving by the Libyan company apparently facilitated its increase in production from 80,000 barrels a day in September to 140,000 barrels a day in November, while output in jointly owned fields fell from 1,245,000 to 835,000 barrels a day. The new prices will be lowest for low-gravity crude oil, much of which comes from nationalized fields. Some industry analysts feel further price reductions will be necessary to raise production substantially.

The Libyan National Oil Company's price discounts may also have been made to strengthen its marketing facilities and to further bilateral economic relations. Many of its sales are part of much larger economic packages that include such things as joint investment banks, capital investment projects, commodity trade agreements, and arrangements for labor migration to Libya.

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TURKEY

The Turkish government yesterday reiterated its warning that all defense agreements with the US will be subject to renegotiation unless military equipment deliveries to Turkey are resumed.

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Ankara has officially informed NATO of the problems the US action will cause Turkey in carrying out its obligations to the alliance, and it has asked the Defense Planning Committee to conduct an investigation into the effects the "US arms embargo" will have on defense in the eastern Mediterranean. Turkey's ambassador to NATO has informed his US counterpart that he has been instructed to consult with other allied governments on the apparent application of the "embargo" to items purchased with NATO infrastructure funds when a US manufacturer was the main contractor. The Turks reportedly have reacted to this situation by suspending payments to US contractors on infrastructure projects in Turkey.

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The Turkish Foreign Ministry has used the risk of anti-American incidents to turn aside a US embassy request for visits by three US navy vessels to Turkish ports. Although the Foreign Ministry's action was not an outright rejection of the request on political grounds, it was clearly a retaliatory move, with other such steps likely to follow.

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USSR-UK

British Prime Minister Wilson is scheduled to arrive in the Soviet Union today for a five-day visit. The meeting will be the first between Soviet and British officials at this level since 1970.

London has trailed well behind the other major Western nations in improving relations with the USSR, partly because of the mass expulsion of Soviets accused of espionage in 1971. Neither side is indicating it expects dramatic developments to come from this visit. Several routine bilateral accords will probably be signed, but a Soviet Foreign Ministry official has said that any political documents emerging from the visit will be far less important than those the USSR has signed with the US, West Germany, and France. He added that an increase in trade between the two countries would depend on "political developments," an apparent reference to the Soviets' desire for British concessions on CSCE and MBFR issues.

The British have tried to beat the Soviets at their own game by submitting a large package of topics to be discussed during the visit, including the draft of a joint declaration on the nonproliferation of nuclear weapons. The British expect that the Soviets will press for their favored formulations on CSCE and MBFR issues, and that these topics will be the main sticking points in the talks. Recently--perhaps with the visit to Moscow in mind--they have adopted a more conciliatory tone on CSCE in Western councils. There is still, however, a sizable gap between the Soviet and British positions.

British officials say they have hinted broadly that a meeting between Wilson and Soviet General Secretary Brezhnev would be desirable. The Soviets have made no commitment, but they have unofficially leaked stories that have kept the possibility alive.

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PORTUGAL

The Portuguese Armed Forces Movement's weekly bulletin announced on Tuesday the formation of special "internal information and public relations teams" to strengthen morale in the army and to explain the Movement's policies to the troops. The announcement acknowledges for the first time that the Movement does not command unanimous support in the military and admits the army is "not easily accepting" the consequences of the coup last April.

The announcement says these teams--composed of "ordinary soldiers and possibly civilians"--will be empowered to interpret army directives and to accompany commanders to regional army meetings. While it is still too early to make any firm judgments on this development, it has the earmarks of the establishment of a political commissar system.

Command-rank officers, in any case, will not appreciate this type of interference and it is likely that the order, if implemented, will widen the differences that exist between some members of the Movement and the majority of the armed forces.

It is also possible that a majority of the Movement's members will not support this order. The responsibility for the publication of the weekly bulletin has been in the hands of more radical elements of the Movement, and it is possible that on this occasion, they may have overstepped their authority.

Debate continues within the military, meanwhile, over the future role of the Armed Forces Movement in Portuguese politics. There are rumors that the Movement will be reorganized to take a formal place in the government. 25X1

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DENMARK

After weeks of negotiation, Social Democratic leader Anker Jorgensen has succeeded in forming a single-party, minority government.

Jorgensen, who was prime minister in 1972 and 1973, tried earlier to form a majority government, but he failed because of the fragmentation of the Danish political scene and the deep-seated differences on economics among the parties. His second chance came after outgoing Prime Minister Poul Hartling's efforts to put together a four-party, center-right minority coalition were blocked at the last minute by maverick Progressive Party leader Mogens Glistrup.

With only 53 of the 179 seats in Parliament, Jorgensen will have to depend on the tacit support of the other socialist parties and at least one non-socialist party. The socialist parties will back Jorgensen on confidence votes, but the support of the non-socialist parties will depend on the issue under consideration.

The Jorgensen government will not have the solid parliamentary support or the longevity to come to grips with Denmark's critical economic problems. Jorgensen may have to shelve his party's radical economic proposals and adopt a watered down version of Hartling's plan in order to survive.

The new government will not support US policies to the degree that the Hartling government did. There may be a slight shift to the left on foreign policy matters, but there will not be a radical change in the US-Danish relationship. Membership in NATO will remain the basis of Danish security policy. [redacted] 25X1

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JAPAN

There is virtually no prospect for Japanese ratification of the nuclear non-proliferation treaty (NPT) before the conference of ratifying states scheduled for May. In the last few days, Prime Minister Miki and Foreign Minister Miyazawa have publicly backed away from previous commitments to push for ratification in the current session of the Diet that ends in May.

The policy change was apparently made at a meeting of ruling party officials last weekend at which right-wing opponents of the treaty openly balked at the idea of foreclosing Japan's nuclear weapons option. These long-time opponents of NPT ratification probably made their stand at this point because recent rapid progress in Japanese negotiations with the International Atomic Energy Agency in Vienna on a safeguards agreement has, in effect, removed the major procedural obstacle to Diet consideration of the issue. The right-wingers, and other Japanese who oppose ratification, have long used the safeguards issue as the main cover for their unwillingness to support the NPT.

The Miki government, for its part, has clearly chosen not to buck the intra-party opposition on the issue; Miki is saving his political capital with the right-wingers for what he sees as more important uses. The proposed Japanese peace and friendship treaty with China, for example, has a higher priority for the government, in part because of its greater domestic political appeal.

Japan's failure to ratify the NPT during the current Diet session will not necessarily foreclose positive action later. The bedrock opposition of the ruling party's right wing, however, is unlikely to dissipate, and ratification may not be pushed until proponents of the treaty are on much stronger political ground.

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BOLIVIA-CHILE

Bolivian President Banzer has represented his meeting with Chilean President Pinochet last week--which resulted in the restoration of diplomatic relations--as a step toward Bolivia's goal of gaining access to the sea. The fact that neither government has publicized the substance of the talks suggests that details of additional agreements are being negotiated. Representatives of the two countries are scheduled to meet again later this month to continue the talks.

Banzer has responded to domestic press accusations of a diplomatic "sellout" by noting that he told Pinochet that Bolivia wants full control over a coast and connecting territory. He said, "We are willing to do anything. If they want us to pay for what we need, I know that the Bolivian people will make sacrifices."

It is unlikely that Pinochet has promised a major concession, but he could well have agreed to some quid pro quo economic exchange--perhaps involving Bolivian oil. In any case, the improvement in relations has been greeted favorably by the Chileans, who see it as a useful gain in diplomatic maneuvers related to the fear of Peruvian aggression. 25X1

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MALAGASY REPUBLIC

Malagasy army units, reacting to the assassination of the new chief of state, Ratsimandrava, yesterday attacked the mobile police force camp in Tananarive that had been a center of antigovernment activity in recent weeks. Although many of the dissidents in the camp reportedly surrendered last night, government forces resumed the attack early today. A group of dissident army officers had taken refuge in the police camp in early January after failing in an effort to overthrow the government. No fighting elsewhere on the island has been reported.

General Gilles Andriamahazo, head of the new 19-member ruling military committee, has charged that members of the mobile police force were responsible for the slaying of Ratsimandrava.

In addition to Andriamahazo, the military committee includes former foreign minister Ratsiraka, the military and security officers who had recently been named to Ratsimandrava's cabinet, and a number of junior officers. All areas and tribal groups of Madagascar are represented on the committee. 25X1

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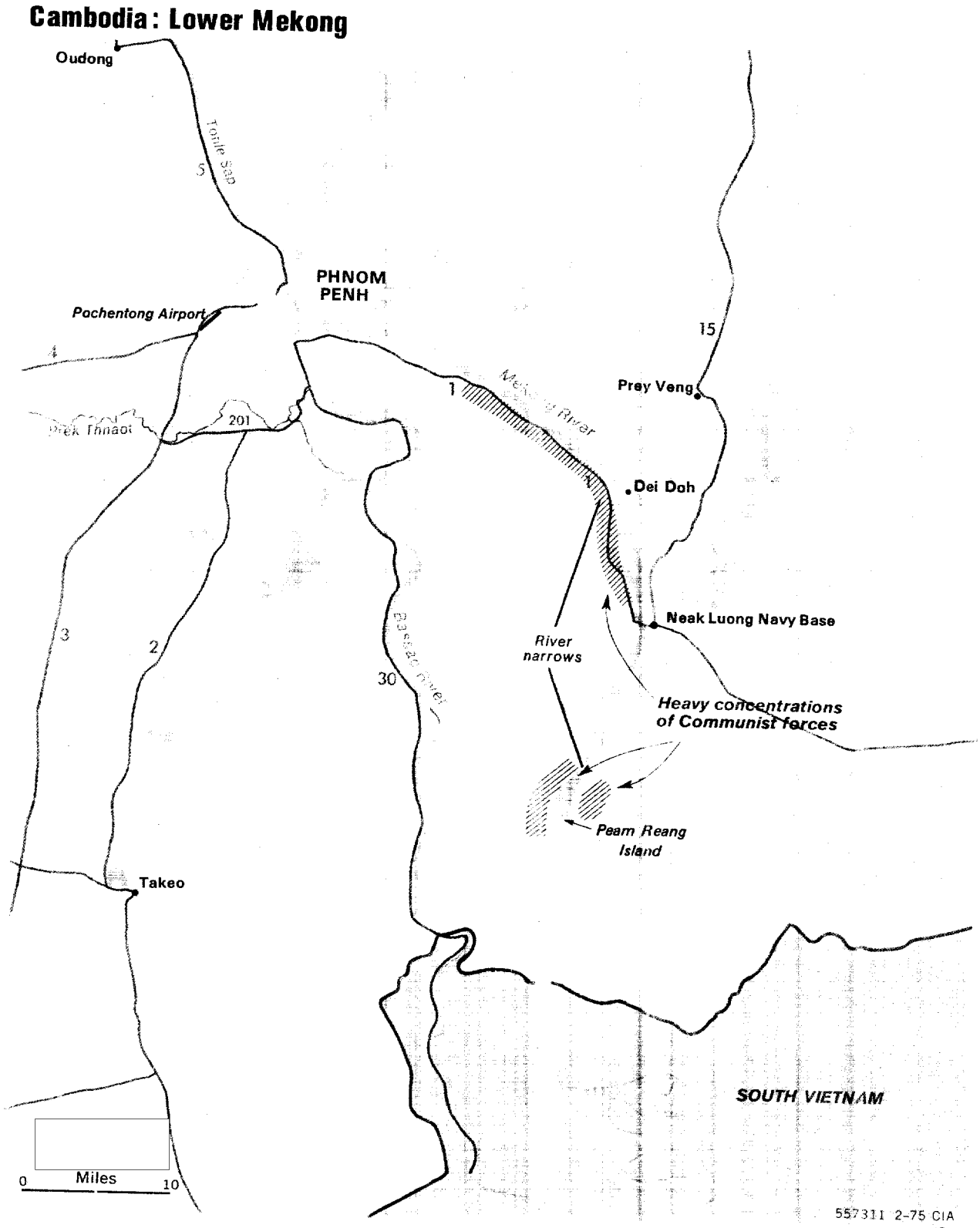

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FOR THE RECORD

Cambodia: The situation along the Mekong--Phnom Penh's vital supply link--took another turn for the worse on Tuesday with the loss of the key position at Dei Doh. This position was the last one near the northern choke-point, some 25 miles south of the capital, and its fall significantly reduces the government's chances of reopening the river in the near term. The loss of this government stronghold forfeits the upper strategic narrows to the Khmer Communists and leaves them in virtual control of all key terrain along the river corridor between Phnom Penh and the South Vietnamese border.

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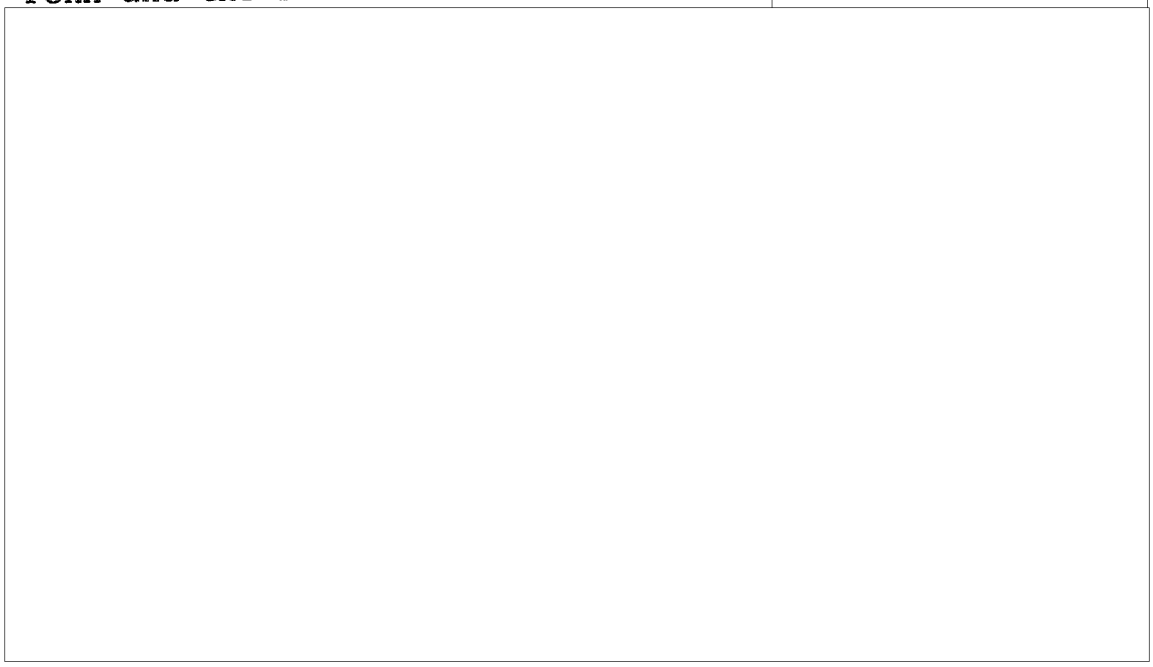

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